

# **REGULATORY ALERT**

## **NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA 22314**

**DATE:** October 2009 **NO.:** 09-RA-11

**TO:** Federally Insured Credit Unions

**SUBJ:** Amendments to the Mortgage Loan Provisions of Regulation Z (Truth in Lending) Implementing the Mortgage Disclosure Improvement Act (MDIA)

**ENCL:** Reg Z-TIL-Loans-Closed End Credit.xlsx

Dear Board of Directors:

The Federal Reserve Board recently approved final rules that revise the disclosure requirements for mortgage loans under Regulation Z (Truth in Lending) to implement the Mortgage Disclosure Improvement Act (MDIA) enacted in July 2008 and amended in October 2008. The rules require consumers to receive good faith estimates of the required mortgage loan cost disclosures earlier in the mortgage process, extend the requirement to loans secured by dwellings other than the consumer's principal dwelling, and require waiting periods between the time disclosures are given and consummation of the transaction. These rules became effective July 30, 2009 and apply to all credit unions providing mortgage loans to their members.

For all closed-end mortgage loans secured by a home, including dwellings other than the consumer's principal residence, these rules require that credit unions:

- Deliver good faith estimates of mortgage loan costs, or place them in the mail, within three business days after receiving a consumer's application for a mortgage loan, and before any fees are collected from the consumer, other than a reasonable fee for obtaining the consumer's credit history;
- Wait seven business days after providing the good faith estimate before closing the mortgage loan; and

- Provide new disclosures with a revised annual percentage rate (APR), and wait an additional three business days before closing the mortgage loan, if the APR at the time of consummation differs from the APR stated in the early disclosures by more than 1/8 of 1 percentage point, as a general rule.<sup>1</sup>

The rules permit consumers to waive the early disclosure timing requirements to meet a bona fide personal financial emergency.

A copy of the Federal Reserve Press Release, as well as a complete copy of the Federal Register Notice may be obtained at:

<http://federalreserve.gov/newsevents/press/bcreg/20090508a.htm>.

Examiners will use the enclosed questionnaire to review credit union compliance with the recent revisions to the regulation.

If you have any questions regarding these rules, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/s/

Debbie Matz  
Chairman

Enclosure

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<sup>1</sup> As a general rule, the accuracy tolerance is 1/8 of 1 percentage point in a regular transaction and 1/4 of 1 percentage point in an irregular transaction. An irregular transaction is one that includes multiple advances, irregular payment periods, or irregular payment amounts (other than an irregular first period or an irregular final payment). Refer to Section 226.22 of Regulation Z for further discussion regarding APR accuracy tolerances.